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SUBJECT: UN SCALE OF ASSESSMENT: AMBASSADOR WOLFF MEETS
WITH FINNS ON PPP APPROACH

¶1. Ambassador Wolff met with Finnish Permanent Representative Kirsti Lintonen, Ambassador Tom Gronberg, and Fifth Committee delegate Katja Pehrman on March 8 concerning the upcoming consideration of the scale of assessment in the General Assembly. Ambassador Gronberg, who will represent the EU in next fall's Fifth Committee negotiations on the scale, took the opportunity of his visit to New York to meet with Ambassador Wolff to discuss the upcoming U.S. proposal on purchasing power parity (PPP) and reactions by others to this approach.

¶2. Though the EU is seeking a range of data from the Committee on Contributions (CoC), Gronberg indicated that it was not yet clear how the EU would proceed on the scale methodology, and the group position will be developed later in the year. He also said that maintaining an EU position on the scale would be a significant challenge for the group in the 61st GA. Major EU contributors would certainly benefit from incorporating the PPP approach, and some have indicated their preference for exploring PPP. However, PPP would increase the rates of the newest EU members, with Poland, Hungary and the Czech Republic bearing the greatest increases.

¶3. By way of general introduction to the U.S. position, Ambassador Wolff indicated that we have a tremendous amount at stake in scale negotiation. Fundamentally, it is unhealthy to place the financial stability of the Organization on just a few major contributors. The UN needs to shift to a more equitable burden-sharing system, whereby those countries that have the majority of votes also have an investment in their decisions through greater assessment.

¶4. Turning to the U.S. proposal on PPP, Ambassador Wolff commented that though this approach has not previously been used in the UN, economists believe that PPP is one of the more accurate economic indicators. As such, the U.S. is extremely serious in its pursuit of using PPP to measure capacity to pay. It would represent a major shift and balancing of financial burden from the current major contributors to large developing economies such as China and India. In response to Gronberg's comments that it would be difficult not to provide any low per capita income adjustment in the scale methodology, Ambassador Wolff noted that the question is whether PPP accounts for this adjustment already.

He further assured Gronberg that it is not the U.S. intention to squeeze money from the poorest countries, but rather to make sure that allocations are more equitable and realistic.

¶5. Interestingly, Gronberg commented that some countries are looking at tabling proposals based on PPP, though when asked he would not indicate which countries he was referring to. It was his feeling that the concept of PPP might need time to be digested by Member States, particularly since it is such a clear departure from past practice and the concept hasn't been too well developed in economic terms. In concluding the meeting, Ambassador Wolff stressed the importance of

maintaining regular contact between the EU, U.S., Japan and other major contributors in advance of next fall's negotiation so that we may all be aware of developing positions and strive to support each other's key concerns.

BOLTON